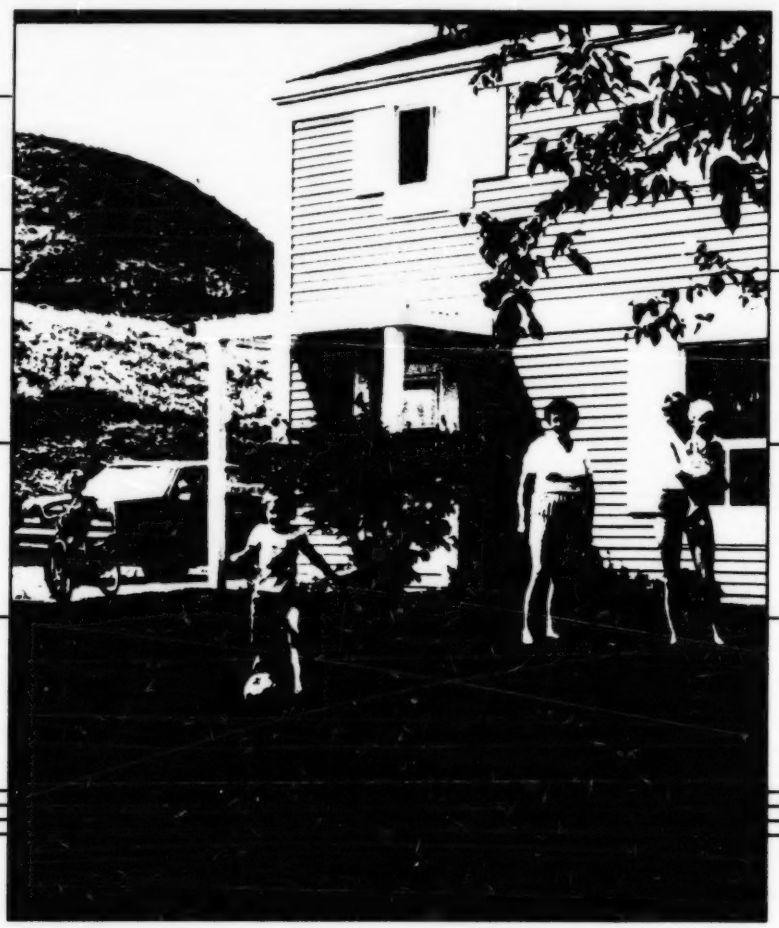

Alberta

AMHC Mortgage and Housing Corporation

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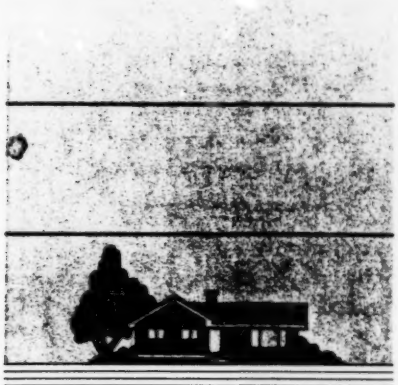


On the cover. (From left) Barry Johnson, Timothy and Twylia Gilroy, Jeannette and Bradley Johnson, residents of the Green Tree Subdivision community housing project. One of the older community housing projects in the province, Green Tree Subdivision in Drumheller recently received a facelift. The units received new linoleum and paint, and new siding complete with shutters to give them a colonial look. Community housing projects throughout the province are managed by local Housing Authorities.

1986-87
ANNUAL
REPORT

ALBERTA MORTGAGE AND HOUSING CORPORATION

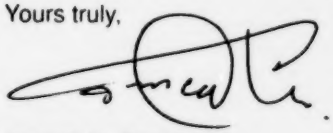
Sharlene Taylor (left) is able to entertain friends like Lisa Hawthorne now that she lives in her own apartment in Edwards Place. Twelve handicapped units were created within Edwards Place senior citizens' project in downtown Calgary. The units include an orientation suite where handicapped individuals can stay temporarily to determine their ability to live independently before deciding to move into the project.

The Honourable Ken Rostad
Chairman
Alberta Mortgage and Housing Corporation

Sir:

I have the honour to submit the annual report of the Alberta Mortgage and Housing Corporation for the year ending March 31, 1987.

Yours truly,



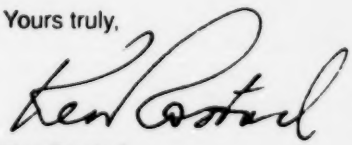
Joseph M. Engelman
President
Alberta Mortgage and Housing Corporation

The Honourable Helen Hunley
Lieutenant-Governor
Province of Alberta

Your Honour:

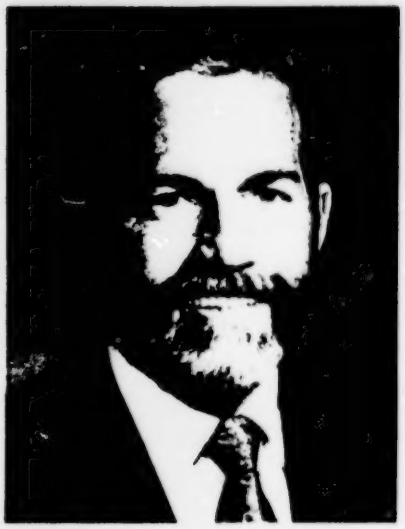
I have the honour to present, for the information of your Honour and of the Legislative Assembly of Alberta, the annual report of the Alberta Mortgage and Housing Corporation, covering the period from April 1, 1986 to March 31, 1987.

Yours truly,



Ken Rostad
Solicitor General and
Minister Responsible for
Housing and Native Programs
Chairman,
Alberta Mortgage and Housing Corporation

Message from the Chairman



Ken Rostad
Solicitor General and
Minister Responsible for
Housing and Native Programs
Chairman,
Alberta Mortgage and Housing
Corporation

t is my pleasure to present the 1986-87 annual report of the Alberta Mortgage and Housing Corporation (AMHC). Before discussing the activities of the corporation over the past year, I wish to extend my thanks to the Honourable Larry Shaben who served as Chairman of AMHC until May 1986, and to the Honourable Neil Crawford who was Chairman from May 1986 to February of this year.

With the signing of an Operating Agreement on May 28, 1986, discussions between the federal and provincial governments on social housing continued in the past year and there is some progress to report. In 1986-87 AMHC approved the funding of units under the Special Purpose Housing program, successfully completing the transfer of responsibility from Canada Mortgage and Housing Corporation (CMHC). With this program in place, the Alberta government's commitment to social housing is strengthened.

Alberta's approach to the Special Purpose Housing program ensures that housing assistance will be provided to Albertans with special needs. Projects are initiated by non-profit groups able to provide shelter to individuals with physical, mental, social or behavioral requirements. In addition to providing much needed housing assistance to special groups, the program, through the nature of its operation, has served to strengthen the working relationship among provincial government departments. In 1986-87 approval was given to provide financial assistance to five groups throughout the province. In recognition of the International Year of Shelter for the Homeless, many of the units within the 1986-87 approved projects will provide housing for the homeless.

Alberta Mortgage and Housing Corporation was able to respond quickly and effectively to the government's request for a freeze on capital spending in November of 1986. This resulted in a necessary halt in the construction of 181 senior citizens' self-contained units, 65 lodge units, and 53 community housing units. However, AMHC continued to plan for the construction of these units and I anticipate that many of the projects will proceed in the upcoming year.

Even with the capital freeze, AMHC was able to provide additional social housing units without further capital expenditure by transferring owned units, obtained through the lending program, to the Community Housing and Rent Supplement programs.

In 1986-87 the corporation completed the transfer of 698 single family housing units to the Community Housing program to take advantage of CMHC's 1985 budget allocation. A further 69 units were transferred in 1986. As well, 519 condominium townhouse units were transferred to the Rent Supplement program.

These transfers enabled the province to utilize otherwise unused budget allocations for social housing programs from Canada Mortgage and Housing Corporation. They also made it possible for AMHC to use owned properties to respond to demands for rental housing for low and moderate income families.

During the course of the year AMHC continued to work with mortgagors in its lending programs to enable them to meet their monthly

payments. The corporation's efforts have helped many Albertans to remain homeowners and have ensured the provision of affordable rental accommodation throughout the province.

In 1986-87 AMHC also began a lodge upgrading program which, when completed, will ensure that the Life Safety Systems in all lodges conform to new fire code standards. Inspections are being conducted on all 135 lodges within the province and upgrading will be done in the lodges in which it is required.

The provincial government's commitment to provide housing assistance to Albertans in need remains firm. The delivery of social housing would be very difficult without the efforts of the people within our sponsor groups, Municipal Foundations and Housing Authorities. Their work in administering the corporation's social housing programs is appreciated by AMHC and by the seniors and families they serve.

On behalf of the Alberta government I would like to thank our management agencies for their contribution during the past year. In addition, I would like to extend my appreciation to the Board of Directors and staff of Alberta Mortgage and Housing Corporation for their support and hard work.

(From left) Mary Firmaniuk, Lily Blower and Bill Semenchuk, residents of Edmonton's Ottewell Lodge. The lodge, which was built in 1963, received Life Safety Systems upgrading and now conforms to new fire code standards. Throughout the province 135 lodges will be inspected and, if necessary, upgraded.

n 1986-87 Alberta Mortgage and Housing Corporation (AMHC) responded to government-wide restraint initiatives by continuing to provide cost-effective housing services to the people of Alberta.

In the past few years the corporation has become largely a property manager. The effective management of the corporation's social housing portfolio, combined with its assistance programs, enables AMHC to provide affordable housing to a large number of low and middle income Albertans.

Stable interest rates and adequate supplies of affordable housing continue to decrease the need for the corporation's lending programs. In 1986-87, 457 loans were approved under the Alberta Family Home Purchase and Rural and Native Housing programs, representing an approximate value of $21 million, and a 30% decrease in the number of loans approved over the previous year.

Insurance was provided on 1,455 mobile home loans issued to Albertans by private industry lenders. This represented a premium value of $550,000. The Modest Apartment program provided financing for 22 units of rental housing in areas of the province where the housing was needed and alternate financing was difficult to obtain.

Improved market conditions have enabled the corporation to increase the number of owned properties listed for sale without adversely affecting the real estate market. In 1986-87, 389 properties acquired through the foreclosure process were sold. An additional 745 properties were removed from the owned property portfolio through a transfer to the Community Housing program. As the demand for housing increases, we expect to further reduce the corporation's owned property portfolio. Marketing initiatives were also explored to increase the sale of residential lots in several municipalities within the province.

Two senior citizens' self-contained apartment projects consisting of 114 units, and one lodge project of 65 units were committed in 1986-87. In areas of the province where a transfer of units from the corporation's lending portfolio to the Community Housing program was not possible, four new projects representing 60 units, were committed.

In managing the portfolio of social housing projects, AMHC is aiming to attain energy efficiency in all buildings. An energy monitoring system, developed by our technical standards department, is currently being tested in 10 senior citizens' projects. It is anticipated that this system will enable building management staff to significantly reduce the energy portion of the projects' operating costs.

A significant accomplishment in the past year was the implementation of the terms of the new Operating Agreement with CMHC, which had major impacts on the administration of Federal-Provincial housing programs. This included the start-up of the Special Purpose Housing program as well as changes in the cost-sharing of the Public Non-profit and Rent Supplement programs. Progress in this area is the result of co-operation and consultation with CMHC, and many hours of hard work from both AMHC employees and the CMHC Provincial office.

In 1986-87 AMHC's mortgage

Joe Engelman
President,
Alberta Mortgage and Housing Corporation

portfolio decreased, from $2.5 billion in 1985-86 to $2.4 billion as many mortgagors paid out or transferred their mortgage loans. For many mortgagors this move was made possible by AMHC's policy of allowing prepayment of mortgages without penalty.

AMHC has assisted homeowners through the provision of financing, and in many cases subsidies, and it is rewarding to see that they are now enjoying the benefits of homeownership. The number of arrears in the homeownership portfolio decreased from 2,996 as of March 31, 1986 to 2,253 at March 31, 1987. In addition, the stabilizing economy resulted in fewer foreclosures, with 1,292 in 1986-87 compared to 2,021 in 1985-86.

At year end the number of owned properties held by AMHC was 4,710 homeownership units and 36 multiple unit projects. This total represented an approximate value of $216.9 million.

In assessing the value of the mortgage portfolio in relation to property values, AMHC provided for $476.3 million as reserves for possible losses, in accordance with generally accepted accounting principles. Potential losses on property which the corporation holds title to amounted to $116.3 million, and the remaining $360.0 million relates to possible losses which may occur through foreclosures in the future. AMHC also recognized a permanent decline in the value of its land holdings and has increased the $100 million provided for in previous years by $80 million. The full decline was not recognized on land holdings covered by municipal agreements as these costs are still considered recoverable from the municipalities involved.

AMHC's policy to sell foreclosed properties in areas where there will be a minimum effect on the real estate market, and to rent the majority of properties until the market shows further recovery, could result in the corporation not incurring the total amount provided for in the reserve provisions.

Debenture borrowings by AMHC from the Heritage Savings Trust Fund to date total $4.605 billion. As of March 31, 1987 AMHC has repaid the Heritage Savings Trust Fund $1.188 billion in principal and $2.837 billion in interest payments for a total of $4.025 billion.

The efficient operation of the corporation's activities in the past year was made possible by our employees. They are AMHC's strongest asset in providing service to Albertans. I would like to thank them for their contributions in 1986-87.

Mark Nikolic, data base analyst, production systems department, with the corporation's VAX computer system. The VAX system is utilized 24 hours a day, seven days a week. Applications to the general ledger are run on the VAX along with owned property, corporate housing and project management information. The VAX system also assists in the administration of the corporation's fixed assets and accounts payable.

Program	Units	Amount of Loans ($,000)
Mobile Home Loan Insurance Program	1,455	
Alberta Family Home Purchase Program	357	14,628
Rural & Native Housing Program	100	6,451
Modest Apartment Program	22	570
Revolving Trunk Servicing Program		1,882
Special Purpose Housing Program*	10 70 beds	1,787
Rent Supplement Program	546	

* Subsidies and loans for capital construction were provided for 10 units and 46 beds. The remaining 24 beds received only the subsidy.

Senior Citizens' Self-Contained Program

Planning	Units	In Progress	Units	Completed	Units
Boyle 2	6	Calgary-United Chinese	104	Andrew	8
Falher 2	12	Calgary-Southwood	46	Athabasca 3	12
Hughenden	4	Drumheller 2	20	Camrose 3	65
Hythe 3	8	Hanna 3	10	Claresholm 2	8
Kitscoty	8	Standard	4	Forestburg	10
La Crete	12		—	Fort McMurray 2	12
La Glace	4	Total	184	Legal	4
Medicine Hat	20			Mundare 2	6
Rocky Mountain House	21			New Sarepta	4
Spirit River	8			Raymond 2	14
Taber 3	30			Wandering River	4
Vilna	4				—
Wainwright 3	24			Total	147
Westlock 3	20				
	—				
Total	181				

Community Housing Program

Planning	Units	In Progress	Units	Completed	Units
Brooks	11	Lethbridge 14	27	Bonnyville 4	8
Falher	4	Swan Hills	8	High Level 3	12
Foremost	4	Medicine Hat	17	Pincher Creek 2	4
Red Deer	16		—		—
Slave Lake 3	18	Total	52	Total	24
	—				
Total	53				

• 745 foreclosed units and 22 Staff Housing program units were transferred to the Community Housing program in the fiscal year 1986-87 (list on page 8).

Senior Citizens' Lodge Program

Planning	Beds	In Progress	Beds	Completed	Beds
Red Deer	65	Camrose 3	65	Elk Point	43
	—		—	Forestburg	20
Total	65	Total	65		—
				Total	63

1986-87 Program Activity (continued)

Senior Citizens' Housing on Reserves

Planning	Units	In Progress	Units	Completed	Units
Total	0	Total	0	Blackfoot	36
				Total	36

Staff Housing Program

Planning	Units	In Progress	Units	Completed	Units
Kananaskis	3	Total	0	Alder Flats	1
				Blackfoot	1
Total	3			Cadotte Lake	1
				Total	3

Transitional Housing Program

Planning	Units	In Progress	Units	Completed	Units
Total	0	Total	0	High Level	2
				Peace River	3
				Slave Lake	4
				Total	9

Definitions

Planning – Project approved, but construction tender has not been awarded.
In Progress – Tender for construction of project has been awarded.
Completed – Project is complete and handed over to the management agency or tenant.

Mel Kowalchuk, sales and property co-ordinator, Edmonton branch office. In 1986-87 AMHC was able to list an increased number of properties for sale without adversely affecting the real estate market.

List of Units Transferred to Community Housing in the Fiscal Year 1986-87

Brooks	3
Calgary	344
Calmar	5
Camrose	1
Carstairs	2
Claresholm	2
Edmonton	232
Fort McMurray	22
Grande Prairie	24
Grimshaw	13
Lacombe	16
Leduc	2
Lethbridge	19
Medicine Hat	12
Okotoks	19
Olds	9
Raymond	2
Red Deer	18
Strathmore	8
Wetaskiwin	14
Total	767

Auditor's Report

To the Board of Directors of the
Alberta Mortgage and Housing Corporation

I have examined the balance sheets of the Corporate Account and the Mortgage Insurance Fund of the Alberta Mortgage and Housing Corporation as at March 31, 1987 and the related statements of revenue, expenditure and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements of the Corporate Account and the Mortgage Insurance Fund applied, after giving retroactive effect to the change in the accounting for the value of investments in land programs and recognition of income on land program projects as described in Note 3 to the financial statements of the Corporate Account, on a basis consistent with that of the preceding year.

Donald D. Salmon

C.A.
Auditor General

Edmonton, Alberta
July 31, 1987

	1987	1986
Assets		
Cash	$ 5.069	$ 214
Accounts receivable	15.611	9,760
Agreements receivable:		
Province of Alberta	4.604	4,731
Other	6.416	9,398
Due from Mortgage Insurance Fund	226.046	221,697
Investments (Schedule 1) (Note 4)	3.639.317	3,810,408
	$ 3,897,063	**$4,056,208**
Liabilities		
Accounts and holdbacks payable	$ 17.710	$ 12,965
Accrued interest payable	173.315	201,473
Short-term notes payable (Note 5)	4.986	36,878
Due to the Province of Alberta	16.148	37,370
Property tax deposits on mortgages	26.772	27,978
Advance from the Province of Alberta (Note 6)	290.833	290,833
Long-term debt (Schedule 2)	3.530.799	3,532,211
	4.060.563	4,139,708
Deficit (Note 8)	(163.500)	(83,500)
	$ 3,897,063	**$ 4,056,208**

The accompanying notes are part of these financial statements.

	1987	1986
Revenue		
Interest income:		
Mortgages and loans (Note 7)	$ 244,022	$ 275,696
Bank and other	1,533	2,697
Housing Program Rentals	11,617	12,481
Sales:		
Lots (Note 3)	8,717	11,525
Housing units	1,406	1,194
Other revenue	1,382	1,123
	268,677	**304,716**
Expenditure		
Interest expense	418,939	461,698
Writedown in value of land (Note 3)	80,000	81,000
Deficit transferred from the Mortgage Insurance Fund	46,185	49,179
Administration expenses (Schedule 3)	25,522	27,601
Amortization of housing program investments	9,148	7,556
Cost of sales:		
Lots (Note 3)	7,664	7,990
Housing units	1,656	1,666
Housing program expenses	5,506	5,266
Grants and subsidies	4,983	4,465
Development costs written off (recovered) on abandoned projects	346	(127)
	599,949	**646,294**
Less: Recoveries		
– Canada Mortgage and Housing Corporation	47,352	44,500
– Municipalities	3,636	3,464
– Interest allocation to projects under construction	1,683	1,978
– Other	4,942	4,259
	57,613	**54,201**
	542,336	**592,093**
Excess of expenditure over revenue for the year	273,659	287,377
Contribution by the Province of Alberta	193,659	206,377
Deficit for the year	**80,000**	**81,000**
Deficit at beginning of the year	83,500	2,500
Deficit at end of the year (Note 8)	**$ 163,500**	**$ 83,500**

	1987	1986
Operating transactions:		
Excess of expenditure over revenue	$ (273,659)	$ (287,377)
Non-cash items:		
Cost of sales:		
Lots	7,664	7,990
Housing units	1,656	1,666
Writedown in value of land	80,000	81,000
Amortization of housing program investments	9,148	7,556
Amortization of short-term notes	1,534	11,832
	(173,657)	**(177,333)**
Operating advances received from the Province of Alberta	208,007	242,351
Repayment of operating advances	(35,570)	(27,377)
Increase in amount due from the Mortgage Insurance Fund	(4,349)	(136,775)
Decrease in other liabilities	(24,618)	(10,111)
(Increase) decrease in other assets	(2,743)	456
Cash applied to operations	**(32,930)**	**(108,789)**
Investing transactions:		
Net decrease in mortgages and loans receivable	137,132	187,971
Investment in land and housing programs	(64,509)	(25,923)
Cash provided by investing transactions	**72,623**	**162,048**
Financing transactions:		
Short-term notes issued	281,127	656,855
Repayment of short-term notes	(314,553)	(722,356)
Mortgages assumed	-	337
Repayment of advance to the Province of Alberta	-	(20,667)
Debentures issued – Province of Alberta	188,000	185,000
Repayment of long-term debt	(189,412)	(180,885)
Cash applied to financing transactions	**(34,838)**	**(81,716)**
Net increase (decrease) in cash	4,855	(28,457)
Cash at beginning of the year	214	28,671
Cash at end of the year	**$ 5,069**	**$ 214**

Note 1 Authority

The Alberta Mortgage and Housing Corporation operates under the authority of the Alberta Mortgage and Housing Corporation Act, Chapter A-32.5, Statutes of Alberta 1984, as amended.

Note 2 Significant Accounting Policies and Reporting Practices

(i) These financial statements have been prepared in accordance with generally accepted accounting principles except as follows:

(a) The investment in housing programs is not depreciated but is amortized at the rate equal to the redemption of the long-term debt financing the programs.

(b) Purchases of fixed assets used for administration purposes are charged to operations in the year of the purchase.

(ii) Other significant accounting policies are as follows:

(a) Valuation of investments

(i) Land programs

Land is stated at cost. Where there has been a decline in value of land that is of an enduring nature, the land value is written down to net realizable value which is deemed to be the new cost.

(ii) Housing programs

Investment in housing programs is stated at cost less amortization. (See Note 2(i) (a))

(iii) Mortgages and loans receivable

Mortgages and loans receivable are stated at cost, which includes amounts advanced, interest capitalized and accrued, taxes and other charges, less repayments and direct subsidies applied.

No provision is made in the Corporate Account for loss on loans due to default by borrowers since the loss is provided for in the Mortgage Insurance Fund or the loans are guaranteed by the Government of Canada or by the Province of Alberta.

(b) Consolidation

The financial statements of the Mortgage Insurance Fund have not been consolidated with these financial statements as, in the opinion of management, consolidation would not result in a more informative presentation.

(c) Management agencies

A substantial number of properties owned by the Corporation are managed by non-profit organizations, acting as agents of the Corporation. The operating deficits and the operating surpluses of these properties, are aggregated and recorded net by the Corporation on the statement of revenue and expenditure as grants and subsidies expenditure.

(d) Recoveries

Contributions from Canada Mortgage and Housing Corporation and municipalities in accordance with housing program cost sharing agreements are reported in aggregate, as a deduction from expenditure, on the statement of revenue and expenditure.

(e) Capitalization of expenses

Interest costs, relating to the financing of projects under construction, are capitalized and form part of the cost of the investment in those projects.

Overhead expenses and local improvement taxes relating to projects under construction and land held under the land programs, are capitalized and form part of the cost of the investments.

Note 3 Change in Accounting Policy – Land Programs

(a) During the year the Corporation changed its accounting policy from providing for declines in value of an enduring nature in the investment in land programs, to writing down the investment in land programs to recognize such losses.

This change in accounting policy, which has been applied retroactively, has no effect on the net investment in land programs or on the deficit.

(b) During the year, the Corporation changed its accounting policy from not recognizing a gain or loss on a lot sale until all lots within a project were sold, to recognizing a gain or loss following each individual lot sale.

This change in accounting policy, which has been applied retroactively, results in an increase in the cost of lot sales, excess of expenditure over revenue and contribution by the Province of Alberta of $306,000 for the year ended March 31, 1987. For the year ended March 31, 1986 the change in accounting policy resulted in a decrease in cost of lot sales, excess of expenditure over revenue and contribution by the Province of Alberta of $404,000. Also, investment in land programs and the amount due to the Province of Alberta were increased by $1,494,000 and $1,800,000 for the year ends March 31, 1987 and March 31, 1986 respectively.

Since the cumulative reduction in the excess of expenditure over revenue resulting from this change is repayable to the Province of Alberta, the deficit at March 31, 1987 and March 31, 1986 is not affected.

Note 4 Investments

(a) Land programs

This represents land acquired for future development and sale by the Corporation and land acquired under land banking and development agreements with municipalities.

(b) Housing programs

This represents land, buildings, furniture, fixtures, and equipment acquired and utilized in the delivery of housing programs.

(c) Mortgages and loans receivable

This represents balances outstanding under the lending programs.

Note 5 Short-term Notes Payable

Short-term notes payable are held by the Alberta Provincial Corporation Loan Fund and mature within one year.

Note 6 Advance from the Province of Alberta

In March 1984, the Corporation received an interest free advance in the amount of $318,000,000, which is repayable on demand, from the General Revenue Fund of the Province of Alberta of which $278,880,000 was used to redeem long-term debt. The amount outstanding at March 31, 1987 is $290,833,000 (1986 $290,833,000).

Note 7 Mortgage Subsidies

The mortgage interest income figure is shown net of the following mortgage subsidies:

	Interest Renegotiation Subsidies	Interest Rate Subsidies	Direct Subsidies	Total Subsidies 1987	Total Subsidies 1986
		(thousands of dollars)			
	(a)	(b)	(c)		
Home-ownership programs	$ 14,712	$ 6,587	$ 7,665	$ 28,964	$ 45,115
Rental programs	8,745	42,226	25,057	76,028	77,981
Land programs	-	153	7	160	153
	$ 23,457	**$ 48,966**	**$ 32,729**	**$105,152**	**$123,249**

(a) Interest Renegotiation Subsidies

Interest renegotiation subsidies arise from the Corporation's offers, made in previous years, to write-down the interest rate on its mortgage portfolio to 12.5% from the rate specified in the mortgage document. In part, this indirect subsidy resulted in a decrease in direct subsidies.

(b) Interest Rate Subsidies

The Corporation normally provides mortgage financing at or near prevailing mortgage interest rates, however, during certain periods of time and under certain lending programs, mortgages have been provided at lower rates. The calculation of interest rate subsidies is based on the difference between the prevailing interest rate (the lowest five years' National Housing Act rate available from five specified chartered banks) at the date the mortgage is issued and the reduced rate stipulated in the mortgage agreement applied to the monthly balance. In part, this indirect subsidy resulted in a decrease in direct subsidies.

(c) Direct Subsidies

The Corporation subsidizes mortgages by providing mortgage payment reductions based on the income level of the mortgagor. The calculation of the mortgage payment subsidies is based on the amounts stipulated in the mortgage reduction agreements.

The direct subsidies also include $17,300,000 that was applied to the Core Housing Incentive and Modest Apartment Program mortgages as a result of a restructure agreement implemented on May 1, 1986. These subsidies can reduce the effective interest rate to 6%.

Note 8 Deficit

Pursuant to section 14 of the Act, the operating deficit of the Corporation is paid out of monies voted by the Alberta Legislature. Effective June 5, 1985, as a result of an amendment to the Act, the Provincial Treasurer may exclude from the operating deficit all or any part of an expenditure in respect of a decline in the value of assets of the Corporation. This has resulted in the Corporation retaining a deficit of $163,500,000 (1986 $83,500,000) in the Corporate Account at March 31, 1987.

Note 9 Commitments and Contractual Obligations

The Corporation has commitments totaling $10,156,000 (1986 $11,195,000) with respect to unadvanced amounts on approved mortgages and loans, as well as contractual obligations with respect to investment in projects in the amount of $9,165,000 (1986 $10,830,000).

Note 10 Contingent Liabilities

The Corporation is involved in a number of legal proceedings. Claims against the Corporation in these proceedings, which have not been reflected in the financial statements, amount to $5,700,000 (1986 $5,780,000). While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management that the disposition of these cases will not have a materially adverse effect on the financial position of the Corporation. Any settlement would be a charge to income in the year the settlement occurs.

Note 11 Comparative Figures

The 1986 figures have been restated where necessary to conform to 1987 presentation.

Note 12 Approval of Financial Statements

These financial statements have been prepared and approved by management.

	1987	1986
Land Programs	$ 125,775	$ 207,388
Housing Programs		
Senior citizens' self-contained	607.525	597,729
Community housing	338.328	291,526
Senior citizens' lodges	124.962	123,257
Industrial and mobile home parks	52.763	52,784
Provincial staff housing	23.077	23,792
Other	20.485	21,251
	1,167.140	1,110,339
Less: Amortization	58.988	49,840
	1,108,152	**1,060,499**
Mortgages and Loans Receivable		
Home-ownership	1,029.762	1,181,539
Rental	1,252.983	1,248,211
Land	122.645	112,771
	2,405,390	**2,542,521**
	$ 3,639,317	**$3,810,408**

Particulars	Year of Maturity	Weighted Average Interest Rate	Principal Outstanding 1987	Principal Outstanding 1986
		%		
Debentures payable				
– Province of Alberta (1)	1988	11.15	$ 31,781	$ 48,303
	1989	12.95	77,667	99,986
	1990	11.34	229,735	275,539
	1991	11.57	124,396	110,725
	1992	9.95	31,467	34,441
	1993	11.85	101,682	109,701
	1994	9.57	37,194	77,515
	1995	15.13	56,338	41,505
	1997	14.57	61,567	63,958
	2001	9.83	420,860	428,766
	2002	14.27	236,946	312,984
	2003	12.54	303,569	308,980
	2004	14.01	77,696	78,712
	2005	8.95	76,009	80,000
	2006	9.52	503,580	361,568
	2007	12.39	225,768	168,194
	2008	10.83	108,344	109,640
	2009	10.52	33,052	33,406
	2010	12.77	87,875	88,455
	2011	15.42	173,031	158,638
	2012	15.06	141,314	138,799
	2013	12.53	236,470	237,611
	2015	12.51	19,852	19,930
			3,396,193	**3,387,356**
– Canada Mortgage and Housing Corporation (2)	1990	8.63	14	18
	1998	5.81	1,859	1,965
	2000	8.00	379	395
	2001	8.00	351	365
	2022	7.85	2,622	2,636
	2023	7.55	8,121	8,219
	2024	7.88	2,756	2,768

Particulars	Year of Maturity	Weighted Average Interest Rate	Principal Outstanding 1987	Principal Outstanding 1986
		%		
– Canada Mortgage and Housing Corporation (2)	2025	8.03	4,835	4,854
	2026	8.01	15,518	15,576
	2027	9.47	21,993	22,043
	2028	9.97	25,934	25,979
	2029	9.58	21,055	21,093
	2030	9.54	4,624	4,632
			110,061	**110,543**
– Other (1)	1988	11.17	**21,332**	**30,381**
Mortgages and Agreements for sale (3)				
– Province of Alberta Various			2,628	3,153
– Other Various			585	778
			3,213	**3,931**
			$3,530,799	**$3,532,211**

Notes:

1. Debentures with the Province of Alberta represent the investment of the Alberta Heritage Savings Trust Fund. Debentures with the Province of Alberta and other are at interest rates ranging from 7.57% to 18.05% and are repayable by annual or semi-annual equal installments comprising of principal and interest. Interest rates are redetermined every five years on debentures having an aggregate principal balance outstanding of $2,540,831,000 (1986 $2,576,565,000) and annually on debentures having an aggregate principal balance outstanding of $173,421,000 (1986 $130,000,000).
2. Debentures with Canada Mortgage and Housing Corporation are at interest rates ranging from 5.75% to 10.0% and are repayable by annual or semi-annual installments comprising principal and interest.
3. Mortgages and agreements for sale are at various interest rates and are repayable by equal monthly or annual installments comprising principal and interest. Mortgages are secured against certain investments in projects.
4. Approximate aggregate principal repayments due in each of the next five years are:

	1987	1986
1986/87	-	170,470
1987/88	198,446	181,567
1988/89	213,492	198,413
1989/90	203,080	190,557
1990/91	183,414	173,214
1991/92	126,479	-

5. The repayment of principal and interest of any borrowings of the Corporation is guaranteed by the Province of Alberta.

	1987	1986
Manpower	$ 17,511	$ 17,838
Services	4,083	4,153
Purchase of fixed assets	1,518	2,026
Travel and communications	1,475	1,592
Materials and supplies	660	762
Staff recruitment, relocation and training	182	279
Staff housing subsidy	21	72
Bad debts expense	14	808
Directors' fees	12	16
Miscellaneous	46	55
	$ 25,522	**$ 27,601**

	1987	1986
Assets		
Cash	$ 8.434	$ 1,958
Accounts receivable	405	898
Accrued interest receivable	828	1,647
Real estate (Note 3)	218.848	202,323
Investments (Note 4)	37.657	60,437
	$ 266,172	**$ 267,263**
Liabilities		
Accounts payable	$ 1.559	$ 900
Due to Corporate Account	226.046	221,697
Allowance for loss on claims	360.000	282,296
Unearned premium	9.342	10,555
	596.947	515,448
Deficit (Note 5)	(330.775)	(248,185)
	$ 266,172	**$ 267,263**

The accompanying notes are part of these financial statements.

	1987	1986
Revenue		
Rental income	$ 15,440	$ 8,319
Investment income	5,688	6,324
Premiums earned	1,990	3,207
Other income	342	238
	23,460	**18,088**
Expenditure		
Interest expense to Corporate Account	33,518	32,651
Real estate expenses	18,498	15,635
Loss on Mobile Home Loan Insurance program	110	188
Loss on sale of real estate	22,437	6,631
(Decrease) increase in provision for decline in value of real estate	(32)	46,890
Increase (decrease) in provision for loss on claims	77,704	(27,704)
	152,235	**74,291**
Excess of expenditure over revenue	128,775	56,203
Funded deficit transferred to Corporate Account	46,185	49,179
Deficit for the year	**82,590**	**7,024**
Deficit at beginning of the year	248,185	241,161
Deficit at end of the year (Note 5)	**$ 330,775**	**$ 248,185**

	1987	1986
Operating transactions:		
Excess of expenditure over revenue	$ (128.775)	$ (56,203)
Non-cash items:		
Amortization of discount on investments	(1.730)	(2,742)
Amortization of mortgage insurance premiums	(2.134)	(3,207)
Loss on sale of real estate	22.437	6,631
Increase (decrease) in provision for loss on claims	77.704	(27,704)
(Decrease) increase in provision for decline in value of real estate	(32)	46,890
	(32,530)	**(36,335)**
Increase in mortgage insurance premiums	921	1,266
Funded deficit transferred to the Corporate Account	46.185	49,179
Decrease (increase) in other assets	1.312	(1,351)
Increase in amount due to the Corporate Account	4.349	136,775
Increase in other liabilities	659	596
Cash provided by operations	**20,896**	**150,130**
Investing transactions:		
Real estate acquired upon foreclosure at total claim amount	(97.966)	(161,326)
Mobile Homes acquired upon settlement of claims	(1.228)	(16)
Purchase of investments	(8.324)	(41,316)
Sale and maturity of investments	32.834	36,844
Sale of real estate	60.058	14,806
Sale of mobile homes	206	24
Cash applied to investing transactions	**(14,420)**	**(150,984)**
Increase (decrease) in cash	6.476	(854)
Cash at beginning of the year	1.958	2,812
Cash at end of the year	**$ 8,434**	**$ 1,958**

Note 1 Authority

The Mortgage Insurance Fund has been established pursuant to the Alberta Mortgage and Housing Corporation Act ("the Act").

Note 2 Significant Accounting Policies and Reporting Practices

(i) These financial statements have been prepared in accordance with generally accepted accounting principles except that buildings designated for rental, held in real estate, are not depreciated.

(ii) Other significant accounting policies are as follows:

(a) Allowance for loss on claims

This allowance represents estimated losses on claims in process and claims anticipated on mortgage loans held by the Corporate Account with repayments in arrears by more than 30 days.

For the purposes of determining the allowance, loss on a claim is regarded as the difference between the balance outstanding on the loan, including accrued interest up to the date of foreclosure, and the net realizable value of the mortgaged property.

(b) Premiums

Premiums are charged on all loans issued by the Corporation and Mobile Home Loans issued by approved financial institutions under the Mobile Home Loan Insurance program.

The premiums received are recorded as deferred revenue, and are taken into income using risk factors established by the Government of Canada, Department of Insurance.

(c) Real estate

Real estate consists of properties acquired on settlement of claims and held for sale or rental, and is valued at the lower of cost or net realizable value. Cost comprises the unpaid loan balance, including accrued interest since the last interest compounding date, and holding costs up to the date of possession.

Net realizable value is the market value as appraised by the Corporation less estimated selling expenses. The appraisal is subject to annual review.

(d) Investments

Investments are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the investment.

(e) Administration expenses

Expenses incurred in administering the Fund are borne by the Corporate Account and hence are not reflected in the Fund's statement of revenue and expenditure.

(f) Interest Expense to Corporate Account

A portion of the total interest expense incurred on debentures recorded in the Corporate Account is allocated to the mortgage insurance fund. The interest expense allocated is based on the monthly average debenture interest rate applied to the original loan amount associated with the Real Estate.

Note 3 Real Estate

Real estate is summarized as follows:

	Real Estate at Cost	Provision for Revaluation	1987 Net	1986 Net
		(thousands of dollars)		
Designated for rental	$ 252,607	$ 84,968	$ 167,639	$ 158,884
Designated for sale	82,541	31,332	51,209	43,439
	$ 335,148	**$ 116,300**	**$ 218,848**	**$ 202,323**
1986 totals	**$ 318,655**	**$ 116,332**		

The provision for revaluation represents the excess of cost over net realizable value.

Note 4 Investments

Investments are summarized as follows:

	1987 Par Value	1987 Cost	1986 Cost
	(thousands of dollars)		
Treasury bills and coupon notes	$ 13,919	$ 12,143	$ 32,652
Bonds and debentures:			
Government of Canada	22,100	22,516	24,291
Provincial issues, direct and guaranteed	3,000	2,998	3,494
	$ 39,019	**$ 37,657**	**$ 60,437**
1986 Par value	**$ 63,769**		

Approximate market value is $38,739,000 (1986 $61,126,000).

Note 5 Deficit

The deficit of the Fund is transferred to the Corporate Account except for amounts representing provisions for decline in value of assets of the Corporation recorded in the Fund and excluded from the operating deficit by the Provincial Treasurer pursuant to section 14 of the Act. The amount so excluded from the operating deficit, is recorded and retained as deficit of the Fund.

Note 6 Insurance in Force

The total amount of loans insured at March 31, 1987 was $2,330,143,000 (1986 $2,447,691,000).

Note 7 Comparative Figures

The 1986 figures have been reclassified where necessary to conform to 1987 presentation.

Note 8 Approval of Financial Statements

These financial statements have been prepared and approved by management.

As at March 31, 1987

Honourable Ken Rostad	Solicitor General and Minister Responsible for Housing and Native Programs
	Chairman, AMHC
Mr. Joseph M. Engelman	President, AMHC
Mr. Archie R. Grover	Deputy Minister of Municipal Affairs
Mr. A.F. (Chip) Collins	Advisor to the Provincial Treasurer
Ms. Mary J. Cameron	Edmonton
Mr. Dennis G. Flanagan	Calgary
Mr. Bohdan Germaniuk	Okotoks
Mr. Frank Lovsin	Peace River
Mr. Robert Thompson	Lethbridge

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